

## Message Text

PAGE 01 ABU DH 02584 01 OF 02 261052Z

22

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 ( ISO ) W

----- 008437

R 260920Z SEP 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4972

INFO AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 2584

E.O. 11652: GDS

TAGS : BENC, DBIS, TC

SUBJECT : INTERCONTINENTAL HOTEL ABU DHABI PROJECT APPEARS  
ON SKIDS

SUMMARY: INTERCONTINENTAL HOTEL CORP. (IHC), A PANAM SUB-  
SIDIARY, IS INVOLVED IN CLASH OF WILLS WITH ABU DHABI GOVERN-  
MENT (ADG) WHICH APPEARS LIKELY NOT ONLY TO KILL INTERCONTI-  
NENTAL HOTEL CONSTRUCTION/MANAGEMENT BOTH IN ABU DHABI TOWN  
AND AL-AIN BUT MAY ALSO RESULT IN LITIGATION/ARBITRATION.  
EMBASSY HAS SOUGHT TO INTERVENE BUT HAS FOUND RESPONSIBLE  
ADG OFFICIALS ADAMANT. 3-D INTERNATIONAL WHO ARE IHC  
CONSULTANTS ON PROJECT MAY BE ABLE TO WORK OUT THEIR OWN  
ARRANGEMENTS WITH ADG FOR CONTINUING WORK, BUT IHC'S FUTURE  
HERE LOOKS BLEAK. THE LOSERS ARE BOTH IHC AND THE ADG.  
END SUMMARY.

1. SEPT 21 OFFICIALS OF IHC (SENIOR VP FOR DEVELOP-  
MENT YOUSIF HAROUN AND VP TECHNICAL SERVICES VICTOR

NEWMAN) AND THEIR CONSULTANTS, 3D INTERNATIONAL (3DI)  
(JACK RAINS, EXEC VP) CALLED ON CHARGE AND EMBOFFS  
CONFIDENTIAL

PAGE 02 ABU DH 02584 01 OF 02 261052Z

ON URGENT BASIS. PURPOSE WAS TO RELATE EVENTS WHICH  
TRANSPIRE IN MEETING THAT SAME DAY WITH ADG, REPRESENTED  
BY SHAIKH SUROOR BIN MUHAMMAD (CHAIRMAN PRESI-  
DENTIAL COURT) AND SEVERAL OF HIS AIDES, INCLUDING

PLANNING ADVISOR, DR. MAHMUD HASSAN JUMA. STORY  
AS FOLLOWS:

2. IHC HAS BEEN HAVING FLAP HERE FOR LAST SIX MONTHS  
CENTERED AROUND ADG DEMAND THAT ORIGINAL PLANS FOR

SUPER-DELUXE HOTEL HERE IN ABU DHABI (UPWARDS OF DOLLARS  
150 MILLION) BE SCALED DOWN TO FIT NEW BUDGET OF DOLLARS  
90 MILLION. THIS HAS LED TO MUCH AGONIZING BACK AND  
FORTH, BUT IHC DELEGATION CAME TO TOWN ON THIS OCCASION  
WITH NEW DESIGN THAT FIT IMPOSED BUDGET WHILE AT SAME  
TIME CONFORMING TO PILING WORK ALREADY DONE ON SITE.  
SUROOR'S REACTION WAS TO PAY SCANT ATTENTION TO NEW  
DESIGN, SAYING IN EFFECT "FINE, WE WILL DO IT, BUT  
FIRST LET'S RENEGOTIATE CONTRACTS." WHAT SUROOR  
ASKED FOR WAS THAT CURRENT CONTRACT BETWEEN ADG AND

IHC (PROVIDING FOR DIRECT DEALINGS BETWEEN IHC AND  
CONSULTANTS, CONTRACTORS, ET AL) BE REPLACED BY  
INDIVIDUAL CONTRACTS BETWEEN ADG AND EACH OF PARTIES  
INVOLVED (I.E. IHC, 3-D INTERNATIONAL, CONTRACTOR, ETC)  
IHC WAS UNHAPPY WITH THIS SUGGESTION PARTICULARLY FOR  
REASON OF (A) SANCITY OF CONTRACT, (B) PRECEDENTS  
FOR OTHER JOBS (E.G. MUSCAT, SHARJAH) AND LACK OF CON-  
TROL WHICH COULD IMPACT ON FUTURE MANAGEMENT OF THIS  
HOTEL. THEY DID NOT, HOWEVER UY3\$8-53)6 REJECT POSSI-  
BILITY OUT OF HAND. ONLY LATER, AS CONVERSATION WENT  
ON AND THERE WAS TALK NOT ONLY OF RENEGOTIATING WORKING  
RELATIONSHIPS BUT ALSO FEES INVOLVED, AS WELL AS IN-  
CREASING DOUBTS IN IHC'S MIND AS TO EXACTLY WHAT SUROOR  
AND ADG UP TO, DID HAROUN APPARENTLY TAKE ADAMANT STAND  
AGAINST RENEGOTIATION. APPARENTLY MEETING GOT SOMEWHAT  
SOUR AND EFFORTS ON PART OF IHC TO SEEK AT MINIMUM  
FRIENDLY PARTING ON BASIS SETTLEMENT FOR WORK DONE WERE  
REJECTED. IN EFFECT SUROOR SAID "WE WILL HANDLE IT  
THROUGH ARBITRATION AS PER EXISTING CONTRACT." HE DID  
ASK 3DI IF THEY PREPARED TO CONTINUE WORK WITH ADG  
CONFIDENTIAL

PAGE 03 ABU DH 02584 01 OF 02 261052Z

EVETB IF IHC DEPARTED. CONSULTANTS APPARENTLY GAVE NON-  
COMMITTAL RESPONSE IN VIEW THEIR EXISTING CONTRACTUAL  
TIES TO IHC.

3. WHEN IHC-3DI PARTY (WITH TWO RESIDENT REPS IN TOW  
AS WELL) ARRIVED AT EMBASSY THEY WERE QUITE EXERCISED.  
HOWEVER, IN ESSENCE THEIR PURPOSE APPEARED TO MORE  
ONE OF SEEKING SHOULDER TO CRY ON THAN MAKING SPECIFIC  
REQUEST FOR ASSISTANCE. TALE WAS LENGTHY WITH STORIES  
OF ADG STOPPING PAYMENT ON JOB IN EARLY SEPT (STILL  
IN EFFECT) FOR "SPURIOUS" REASONS, SUSPICIONS THAT  
SUROOR WAS TRYING TO WORK IN HIS CONTRACTORS WITH  
PAYOFFS TO COME, ETC. RAINS OF 3DI MADE ONLY SPECIFIC

RQUEST IN TERMS OF POSSIBLE FUTURE ASSISTANCE IF ADG TRIED HOLD HIS PEOPLE HOSTAGE HERE (RAINS STATED FLATLY IF IHC PULLS OUT AND 3DI NOT PAID FOR SEPT WORK THEY WOULD BE LEAVING FORTHWITH). WE SAID WE THOUGHT SUCH ACTION UNLIKELY BUT THAT SHOULD SITUATION ARISE WE WOULD OF COURSE GIVE APPROPRIATE HELP. AS FOR IHC, HAROUN SAID THEY WOULD GO TO ARBITRATION AT INTERNATIONAL CHAMBER OF COMMERCE IN PARIS UNDER BRITISH LAWS AS PROVIDED IN EXISTING CONTRACT. HE FELT THAT THEY HAD IRON CLAD CASE.

4. CHARGE AND EMBOFFS EXPRESSED VIEW THAT IF THINGS DID NOT TURN AROUND IN SOME FASHION, WE COULD ONLY CONCUR IN IHC PROPOSED COURSE OF ACTION. ADG WAS DEVELOPING HABIT OF CHANGING ITS MIND, AGREEING TO ONE THING AND THEN SOME TIME LATER HAVING SECOND THOUGHTS. ASIDE FROM OUR REGRET AT IHC'S LIKELY DEPARTURE, WE WERE FRANKLY CONCERNED AT DAMAGE ADG DOING ITSELF AND LIKELY FUTURE PROBLEMS IT WOULD HAVE IN ATTRACTING REPUTABLE FIRMS SHOULD IT KEEP THIS UP.

5. SINCE I ALREADY HAD APPOINTMENT MORNING OF SEPT 22 WITH DR. JUMA I OFFERED TO RAISE ISSUE AT THAT TIME AND SEE IF THERE SEEMED TO BE ANY ROOM FOR MOVEMENT. IHC/3DI REPS CONCURRED. JUMA BASICALLY DUCKED ISSUE SAYING HE WAS NEW TO PROBLEM AND FRANKLY DID NOT KNOW BACKGROUND. HE DID COMMENT HOWEVER, ON (A) IHC WILLINGNESS TO AT LEAST CONSIDER CONFIDENTIAL

PAGE 04 ABU DH 02584 01 OF 02 261052Z

CONTRACT CHANGE--I.E. AS HE CALLED IT THEIR "ACCEPTANCE OF PRINCIPLE"--WHICH WAS THEN FOLLOWED BY OBJECTION WHEN THEY CAME TO "DETAILS", AND (B) HIGH COSTS OF WORK DONE SO FAR--I.E. WHAT WAS THERE TO SHOW FOR IT? (ACCORDING TO IHC REPS SUROOR HAD MADE SAME ISSUE REPEATEDLY DAY BEFORE, AND, WHILE IHC FELT THERE WAS CLEAR AND SUPPORTABLE ANSWER, FACTOR OF HIGH PROJECT COST WAS CLEARLY IMPORTANT). BEYOND THIS JUMA WOULD NOT GO, NOTING THAT SUROOR WAS THE ONE WHO REALLY KNEW WHAT WAS INVOLVED. I THEREFORE REQUESTED AND IMMEDIATELY RECEIVED APPOINTMENT WITH SUROOR. WE WENT OVER SAME GROUND WITH LITTLE INDICATION OF GIVE ON HIS PART. HIS BASIC LINE WAS, ENTIRE PROJECT HAS CHANGED--I.E. SCALED WAY DOWN. "IF YOU HAVE NEW PROJECT WHY NOT NEW CONTRACT?" AND HE KEPT ASKING IN RESPONSE TO MY INQUIRY AS TO WHAT WAS WRONG WITH PRESENT CONTRACT, "WHY WON'T THEY AGREE TO RENEGOTIATE?" AS FOR THE POSSIBILITY OF LITIGATION AND VARIOUS ALLEGATIONS BACK AND FORTH SUROOR PROFESSED TO BE UNCONCERNED. HE SAID THESE THINGS SOMETIMES HAPPEN; ADG WILL PAY WHAT IT OWES BUT IT WILL ALSO GET ITS DUE FROM IHC; IT WILL ALL WORK OUT. HE WAS IN BRIEF WRITING OFF IHC. AS FOR

3DI, SUROOVG SAID HE WAS STILL PREPARED TO DEAL WITH THEM, BUT THEY HAD TO MAKE UP THEIR MINDS IMMEDIATELY. ADG HAD ALREADY CALLED ON SIR ALEXANDER GIBB & PARTNERS TO SEND OUT TEAM TO TAKE OVER. THIS COULD BE STOPPED IF ARRANGEMENTS REACHED WITH 3DI IN TIME, BUT ADG DETERMINED TO MOVE AHEAD--PROJECT NOT BEING DROPPED, JUST PUT INTO NEW HANDS. SO 3DI HAD TO ACT. I PROMISED TO RELAY THIS INFORMATION AND EXPRESSED HOPE THINGS COULD STILL BE SETTLED WITH IHC.

CONFIDENTIAL

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 30 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GarlanWA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ABUDH02584  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** n/a  
**From:** ABU DHABI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197609107/baaaauxu.tel  
**Line Count:** 174  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GarlanWA  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 DEC 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31 DEC 2003 by GarlanWA>; APPROVED <03 FEB 2004 by GarlanWA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** n/a  
**To:** STATE INFO DOHA  
JIDDA  
MANAMA  
MUSCAT  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

